

_____ BILL NO. _____

INTRODUCED BY _____
(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A DEFAULT SUPPLIER WITH AN OPTION TO INVEST IN, ACQUIRE, OR LEASE A PLANT OR EQUIPMENT USED FOR THE PRODUCTION OF ELECTRICITY; ALLOWING A DEFAULT SUPPLIER TO INCLUDE ITS OWN ELECTRICAL GENERATION PLANT OR EQUIPMENT IN ITS RATE BASE; AND AMENDING SECTIONS 69-8-210 AND 69-8-1004, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 69-8-210, MCA, is amended to read:

"69-8-210. Public utilities -- electricity supply. (1) A public utility's distribution services provider shall provide default supply service.

(2) A default supplier may invest in, acquire, or lease a plant or equipment used for the production of electricity. A default supplier may seek to include its own electrical generation plant or equipment in its rate base.

~~(2)~~(3) The commission shall establish an electricity cost recovery mechanism that allows a default supplier to fully recover prudently incurred electricity supply costs related to wholesale power purchases, subject to the provisions of 69-8-419 and 69-8-420. The cost recovery mechanism must provide for prospective rate adjustments for cost differences resulting from cost changes, load changes, and the time value of money on the differences.

~~(3)~~(4) The commission may direct a default supplier to offer its customers multiple default supply service options if the commission determines that those options are in the public interest and are consistent with the provisions of 69-8-104 and 69-8-201.

~~(4)~~(5) Notwithstanding any service options that the commission may require pursuant to subsection ~~(3)~~ (4), a default supplier shall offer its customers the option of purchasing a product composed of or supporting power from certified environmentally preferred resources that include but are not limited to wind, solar, geothermal, and biomass, subject to review and approval by the commission. The commission shall ensure that these resources have been certified as meeting industry-accepted standards.

~~(5)~~(6) (a) Subject to subsection ~~(5)~~(6) ~~(b)~~ (b), the commission shall, in reviewing the procurement of electricity supply by the default supplier, take into account the statewide economic benefits that are associated

1 with the electricity supply procurement for the default supply stakeholders. The default supply stakeholders
2 include the default supplier, customers of the default supplier, and the public.

3 (b) The consideration of economic benefits is secondary to the consideration of the costs and benefits
4 to the consumer and other criteria established by law.

5 ~~(6)(7)~~ If a public utility intends to be an electricity supplier through an unregulated division, then the public
6 utility must be licensed as an electricity supplier pursuant to 69-8-404."

7
8 **Section 2.** Section 69-8-1004, MCA, is amended to read:

9 **"69-8-1004. Renewable resource standard -- administrative penalty -- waiver.** (1) Except as provided
10 in 69-8-1007 and subsection (11) of this section, a graduated renewable energy standard is established for public
11 utilities as provided in subsections (2) through (4) of this section.

12 (2) In each compliance year beginning January 1, 2008, through December 31, 2009, each public utility
13 shall procure a minimum of 5% of its retail sales of electrical energy in Montana from eligible renewable
14 resources.

15 (3) (a) In each compliance year beginning January 1, 2010, through December 31, 2014, each public
16 utility shall procure a minimum of 10% of its retail sales of electrical energy in Montana from eligible renewable
17 resources.

18 (b) As part of their compliance with subsection (3)(a), public utilities shall purchase both the renewable
19 energy credits and the electricity output from community renewable energy projects that total at least 50
20 megawatts in nameplate capacity.

21 (c) Public utilities shall proportionately allocate the purchase required under subsection (3)(b) based on
22 each public utility's retail sales of electrical energy in Montana in the calendar year 2009.

23 (4) (a) In the compliance year beginning January 1, 2015, and in each succeeding compliance year, each
24 public utility shall procure a minimum of 15% of its retail sales of electrical energy in Montana from eligible
25 renewable resources.

26 (b) (i) As part of their compliance with subsection (4)(a), public utilities shall purchase both the renewable
27 energy credits and the electricity output from community renewable energy projects that total at least 75
28 megawatts in nameplate capacity.

29 (ii) In meeting the standard in subsection (4)(b)(i), a public utility may include purchases made under
30 subsection (3)(b).

(c) Public utilities shall proportionately allocate the purchase required under subsection (4)(b) based on each public utility's retail sales of electrical energy in Montana in the calendar year 2014.

(5) (a) In complying with the standards required under subsections (2) through (4), a public utility shall, for any given compliance year, calculate its procurement requirement based on the public utility's previous year's sales of electrical energy to retail customers in Montana.

(b) The standard in subsections (2) through (4) must be calculated on a delivered-energy basis after accounting for any line losses.

(6) A public utility has until 3 months following the end of each compliance year to purchase renewable energy credits for that compliance year.

(7) (a) In order to meet the standard established in subsections (2) through (4), a public utility may only use:

(i) electricity from an eligible renewable resource in which the associated renewable energy credits have not been sold separately;

(ii) renewable energy credits created by an eligible renewable resource purchased separately from the associated electricity; or

(iii) any combination of subsections (7)(a)(i) and (7)(a)(ii).

(b) A public utility may not resell renewable energy credits and count those sold credits against the public utility's obligation to meet the standards established in subsections (2) through (4).

(c) Renewable energy credits sold through a voluntary service such as the one provided for in ~~69-8-210(4)~~ 69-8-210(5) may not be applied against a public utility's obligation to meet the standards established in subsections (2) through (4).

(8) Nothing in this part limits a public utility from exceeding the standards established in subsections (2) through (4).

(9) If a public utility exceeds a standard established in subsections (2) through (4) in any compliance year, the public utility may carry forward the amount by which the standard was exceeded to comply with the standard in either or both of the 2 subsequent compliance years. The carryforward may not be double-counted.

(10) Except as provided in subsection (11), if a public utility is unable to meet the standards established in subsections (2) through (4) in any compliance year, that public utility shall pay an administrative penalty, assessed by the commission, of \$10 for each megawatt hour of renewable energy credits that the public utility failed to procure. A public utility may not recover this penalty in electricity rates. Money generated from these

1 penalties must be deposited in the universal low-income energy assistance fund established in 69-8-412(1)(a).

2 (11) A public utility may petition the commission for a short-term waiver from full compliance with the
3 standards in subsections (2) through (4) and the penalties levied under subsection (10). The petition must
4 demonstrate that the:

5 (a) public utility has undertaken all reasonable steps to procure renewable energy credits under
6 long-term contract, but full compliance cannot be achieved either because renewable energy credits cannot be
7 procured or for other legitimate reasons that are outside the control of the public utility; or

8 (b) integration of additional eligible renewable resources into the electrical grid will clearly and
9 demonstrably jeopardize the reliability of the electrical system and that the public utility has undertaken all
10 reasonable steps to mitigate the reliability concerns."

11 - END -